



# FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Donald C. Kendig, CPA, Retirement Administrator

## BOARD AGENDA LETTER

**DATE:** August 2, 2017  
**TO:** Board of Retirement  
**FROM:** Donald C. Kendig, CPA  
Retirement Administrator

**Staff Contact:** Conor Hinds, Supervising Accountant

**SUBJECT:** Receipt and Filing of Quarterly Investment and Information Technology Status Report – RECEIVE AND FILE

### Recommended Action(s)

1. Receive and file.

### Fiscal and Financial Impacts

There are no fiscal impacts to receiving and filing this informational item.

### Discussion

In previous quarters staff reported only investment fees which had been invoiced and paid by FCERA. In an effort to provide a more complete picture of the investment fees for the Board of Retirement and its stakeholder's, staff will include the alternative investment fees. On a go forward basis the alternative investment fee information will be released with the annual fee disclosure in compliance with the passage of AB 2833. The date of this annual disclosure has yet to be determined.

Under Exhibit A, investment fees paid to separate account managers, commingled fund managers, consultants and actuary as of June 30, 2017 totaled \$8,252,340.83. Items disclosed under Exhibit A reflect invoiced fees with the exception of Eaton Vance which reports fees net from their Bank Loan fund. In addition, Exhibit B, discloses the alternative investments fees such as real estate, private equity, hedge funds and private credit. These fees are not invoiced to FCERA and may need to be calculated as a percentage of ownership in the fund. The fees are deducted directly from the partnerships unrealized gains & losses. Exhibit B represents fees associated with Real Estate, Private Equity, Hedge Funds, and Private Credit. It is important to note that almost all FCERA's alternative investments are reported on a lag, the fees disclosed in Exhibit B, in the amount of \$6,317,145.51, reflect fees through December 31, 2016.

Technology expenditures are considered excludable from the budgetary cap based on Government Code Section 31580.2(b). Under Exhibit C, total technology expenditures for the quarter ended June 30, 2017 were \$370,881.83, or 58.69% of the adopted appropriations. During the quarter staff reclassified expenditures related to logo and website re-design in the amount of \$6,312.50 to the administrative budget. The quarterly expenditures mostly represent costs associated with the replacement of the Pension Administration System (PAS).

## **Quarterly Investment and Information Technology Status Report**

**August 2, 2017**

**Page 2**

### **Attachment(s)**

1. Exhibit A: Schedule of Investment Expenditures paid through June 30, 2017.
2. Exhibit B: Schedule of reported Alternative Investment fees as of December 31, 2016.
3. Exhibit C: Schedule of Technology (Excluded Expenditures) as of June 30, 2017.

### **Background**

The Exhibits contained in this report were originally provided along with the Administrative Budget Status Report; however, investment and information technology expenses are not considered part of FCERA's Administrative Budget and the Board directed staff to separate them on November 2, 2016.

The purpose of this report is to provide the Board and its stakeholders with information regarding the fees associated with the many investments of FCERA as well as technology improvements made during the fiscal year. Given that the information is not a part of the Administrative Budget, it was not initially reported on a quarterly basis. The Board requested this information be reported by staff quarterly in order to be more transparent.

Please note that Investment expenditures are expected to lag due to the timing of quarterly fees invoiced after the end of each quarter. Alternative investment fees will be provided for the six months ended each December and June.

Audited investment and information technology expenses, which comply with Governmental Accounting Standards (GAS) are provided in FCERA's annual Comprehensive Annual Financial Report (CAFR), for the fiscal years ending June 30 every year, which is intended to be issued by the last Board meeting of a given year.

FCERA  
Schedule of Investment Expenses paid through June 30, 2017

Detail - 7564		Paid Quarter ended 9/30/2016	Paid Quarter ended 12/31/2016	Paid Quarter ended 3/31/2017	Paid Quarter ended 6/30/2017	Year to Date Investment Expenditures	Actual Budget Year 2015-16 Expenditures*
Invesco Commodity Trust Fund	Alternative Investment		82,263.04	377,573.47	1 254,649.64	714,486.15	864,757.23
<b>Alternative and Private Equity Investment Total</b>	<b>Alternative and Private Equity Investment</b>	<b>-</b>	<b>82,263.04</b>	<b>377,573.47</b>	<b>254,649.64</b>	<b>714,486.15</b>	<b>864,757.23</b>
Artisan			206,874.05	125,761.99	130,062.60	462,698.64	1,117,205.72
Aronson, Johnson & Ortiz	Equity		-			-	-
Kalmar Investments	Equity	130,542.00	114,577.00	132,375.00	25,393.00	402,887.00	513,571.00
Mondrian Investment Group (All)	Equity		632,476.56	614,074.48	678,507.05	1,925,058.09	2,259,662.76
Research Affiliates	Equity		77,677.87	113,188.39	111,753.24	302,619.50	238,628.99
State Street ( S&P500, TIPS, )	Equity		25,980.80	27,742.71	27,817.33	81,540.84	123,160.61
Systematic Financial Management	Equity		52,620.86	56,743.82	60,145.05	169,509.73	265,380.91
Waddell & Reed Investment Manager	Equity		130,986.50	126,996.90	131,963.93	389,947.33	642,681.13
<b>Equity Investment Total</b>	<b>Equity Investment Total</b>	<b>130,542.00</b>	<b>1,241,193.64</b>	<b>1,196,883.29</b>	<b>1,165,642.20</b>	<b>3,734,261.13</b>	<b>5,160,291.12</b>
Brandywine Global	Fixed Income		73,062.28	69,808.82	69,257.40	212,128.50	281,377.86
Loomis Sayles & Co. (All)	Fixed Income		129,097.10	130,824.01	135,223.67	395,144.78	614,706.16
Western Asset Management Co.	Fixed Income		168,078.50	176,678.49	184,244.77	529,001.76	367,606.65
Barclays US Agg Bond	Fixed Income		19,549.15	19,867.61		39,416.76	74,758.90
PIMCO (Pacific Investment Mgmt Co.)	Fixed Income		241,445.72	234,254.70	250,513.92	726,214.34	759,841.93
Eaton Vance	Fixed Income		560,883.53		594,668.44	1,155,551.97	1,108,462.50
<b>Fixed Income Total</b>	<b>Fixed Income Total</b>	<b>-</b>	<b>1,192,116.28</b>	<b>631,433.63</b>	<b>639,239.76</b>	<b>3,057,458.11</b>	<b>3,206,754.00</b>
Verus Advisory Inc	Consulting	64,166.66	97,083.33	98,808.01	98,750.01	358,808.01	381,666.64
Institutional Shareholders	Consulting-Class Action Services		-	10,300.00		10,300.00	1,875.00
<b>Consulting Total</b>	<b>Consulting Total</b>	<b>64,166.66</b>	<b>97,083.33</b>	<b>109,108.01</b>	<b>98,750.01</b>	<b>369,108.01</b>	<b>383,541.64</b>
Segal Company	Actuary					-	109,000.00
<b>Actuary Total</b>	<b>Actuary Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,000.00</b>
Foster Pepper Attorneys	Investment Legal Fees	36,470.00	60,820.00	92,720.00	77,376.00	267,386.00	234,242.70
Reed Smith	Investment Legal Fees		3,488.50	(2,300.50)		1,188.00	4,358.25
Other (County Counsel, Baker Manock, Notary)	Investment Legal Fees	83.80	908.50	(478.50)		513.80	334.50
<b>Investment Legal Fees Total</b>	<b>Investment Legal Fees Total</b>	<b>36,553.80</b>	<b>65,217.00</b>	<b>89,941.00</b>	<b>77,376.00</b>	<b>269,087.80</b>	<b>238,935.45</b>
Due Diligence Visits	Other	1,371.33	3,321.98		13,232.99	17,926.30	5,153.17
Northern Trust - Custodial	Other		28,750.00	29,500.00	29,500.00	87,750.00	115,000.00
Parametric	Other			1,442.00		1,442.00	-
RDT Architecture	Other		19,227.07	(19,227.07)		-	-
<b>Other Total</b>	<b>Other Total</b>	<b>1,371.33</b>	<b>51,299.05</b>	<b>11,714.93</b>	<b>42,732.99</b>	<b>107,118.30</b>	<b>120,153.17</b>
Federal Express	Delivery of Investment Documents	324.58	283.13	149.23	58.22	815.16	236.70
Golden State Overnight	Delivery of Investment Documents		6.17			6.17	13.44
<b>Delivery of Investment Documents Total</b>	<b>Delivery of Investment Documents Total</b>	<b>324.58</b>	<b>289.30</b>	<b>149.23</b>	<b>58.22</b>	<b>821.33</b>	<b>250.14</b>
<b>Grand Total</b>	<b>Grand Total</b>	<b>232,958.37</b>	<b>2,729,461.64</b>	<b>2,416,803.56</b>	<b>2,873,117.26</b>	<b>8,252,340.83</b>	<b>10,083,682.75</b>
(1) Alternative investments will be reported each six months at December and June, see separate attachment for non-invoiced Alternative Investment fees.							
(2) Reclass Reed Smith from 7564 to 8400-91336 Palm Bluffs Leasing, Legal & Mgmt.							
(3) Reclass Baker Manock & RDT Architecture from 7564 to 8150-91329 Palm Bluffs Improvements.							
* The information reported for Fiscal Year 2015-16 is presented on a cash basis with most including the fourth quarter accrual.							

Exhibit B - Alternative Investment fees

NAME	Investment Type	INCEPTION DATE	Management Fees 75643	Fee Reported as of
FCERA Realty LLC	Real Estate	3/6/2017	-	
Gerding Edlen III	Real Estate	3/3/2016	222,750.00	12/31/2016
Invesco	Real Estate	10/1/2007	687,721.45	12/31/2016
Kennedy Wilson V	Real Estate	2/24/2016	319,006.00	12/31/2016
TA Assoc. IX	Real Estate	10/31/2009	105,589.00	12/31/2016
			1,335,066.45	
Blackstone - Capital Partners IV	Private Equity	11/2/2002	-	12/31/2016
Hamilton Lane VI	Private Equity	10/1/2007	211,116.00	12/31/2016
Hamilton Lane IX	Private Equity	3/16/2016	704,340.00	12/31/2016
Horsley Bridge XI	Private Equity	12/16/2016	134,643.00	12/31/2016
IFM Global Infrastructure	Infrastructure	5/13/2015	620,925.07	12/31/2016
Landmark X	Private Equity	3/23/2001	-	Closed
Landmark XIV	Private Equity	12/1/2009	74,663.00	9/30/2016
New Mountain Partners	Private Equity	4/16/2001	-	Closed
New Mountain Partners III	Private Equity	10/1/2007	33,282.00	12/31/2016
Warburg Pincus & Co	Private Equity	6/11/1998	-	12/31/2016
Warburg Pincus Equity VIII	Private Equity	7/23/2001	-	12/31/2016
Warburg Pincus Equity X	Private Equity	10/1/2007	28,424.00	12/31/2016
Warburg Pincus Equity XII	Private Equity	11/19/2015	238,000.00	12/31/2016
			2,045,393.07	
GCM Better Futures Fund	Hedge Fund	10/1/2016	1,237,265.99	12/31/2016
Grosvenor Institutional	Hedge Fund	10/1/2009	615,825.00	12/31/2016
			1,853,090.99	
AG Capital Partners VII	Private Credit	1/14/2010	38,518.00	12/31/2016
CarVal CVI Credit Value Fund III	Private Credit	6/19/2015	133,807.00	12/31/2016
Colony Capital Partners, LP	Private Credit	12/1/2009	129,896.00	12/31/2016
Colony Distressed Credit Fund III	Private Credit	9/29/2014	250,834.00	12/31/2016
GSO European Senior Debt	Private Credit	3/15/2015	-	12/31/2016
KKR Mezzanine Partners I	Private Credit	8/1/2011	142,301.00	12/31/2016
Lone Star Fund IV	Private Credit	12/12/2001	-	12/31/2016
Oaktree	Private Credit	3/26/2013	120,000.00	12/31/2016
TCW SHOP III	Private Credit	5/29/1998	-	12/31/2016
TSSP Adjacent Opportunities	Private Credit	9/30/2016	268,239.00	12/31/2016
			1,083,595.00	
<b>PRIVATE MARKET TOTALS</b>			<b>6,317,145.51</b>	

